

Department of Finance and Administration – Policy 20
Recording of Federal Grant Expenditures and Revenues
(Revised February 2000)

Introduction

1. This Policy Statement is issued in order to:
 - A. Establish effective cash management procedures for Federal programs to maximize State resources.
 - B. Fulfill the requirements established by the federal Cash Management Improvement Act of 1990.
 - C. Define uniform procedures to be applied by all agencies to ensure accurate accounting and reporting of the financial activity of federal programs.

This Policy Statement 20 supersedes the previous Policy Statement 20, “Recording of Federal Grant Expenditures and Revenues”, issued April 1991.

Applicability and Effective Date

2. All State departments, agencies, boards, and commissions which meet the following criteria are required to comply with this Policy Statement:
 - A. Receive all or a portion of their funding from the Federal government as a Grantee or Subgrantee;
 - B. Are required to report assistance on the Schedule of Expenditures of Federal Awards; and
 - C. Maintain financial records on the State of Tennessee Accounting and Reporting System (STARS).
3. All State departments and agencies, as referenced above, must be in full compliance by July 1, 2000. This policy shall remain in effect until amended or rescinded by the Commissioner of Finance and Administration and the Comptroller of the Treasury.

General Policy Guidelines for Accounting for Federal Receipts and Expenditures

Utilization of the Grant Control Table

4. Agencies receiving Federal funds as a Grantee or Subgrantee must load all their grants onto the STARS Grant Control Table. This shall include all funding percentages, revenue sources (Federal, State and Other) and the applicable Catalog of Federal Domestic Assistance (CFDA) Number (s). Agencies shall retain the option of utilizing subgrant numbers according to departmental or grant reporting requirements.

Recording of Grant Award Amounts

5. All grant award amounts must be recorded in the STARS Grant File. The amounts should be recorded no later than the end of the month in which the grant award notification is received from the Federal government. Grant award notification will be defined by the recipient agency.

Coding of Transactions

6. All grant related expenditure and revenue transactions must be coded with the appropriate grant(s) at the time the initial transaction is recorded.

Executive agencies must utilize the Labor Distribution System to redistribute payroll expenditures (including wages and fringe benefits) to the appropriate grant codes. All other expenditures and revenue transactions must be redistributed at least monthly.

Federal Drawdowns

7. Drawdown of Federal funds must be made according to the following guidelines:
 - A. Those Federal Assistance programs (by CFDA number) covered by the State of Tennessee and the U.S. Department of the Treasury Cash Management Improvement Act (CMIA) Agreement shall follow the appropriate drawdown procedures specified by the Agreement.
 - B. For Federal Assistance programs (by CFDA number) not covered by the CMIA Agreement, drawdowns must be made utilizing the "Daily Grant Drawdown Report" of the STARS grant module. All reconciling items are to be clearly documented. Exceptions to using the specified "Date to Draw" on the Daily Grant Drawdown Report are:
 - (1.) Programs where the Federal grantor issues specific drawdown procedures.

- (2.) Programs where the State and the Federal grantor agree on specific drawdown procedures.
- (3.) Programs where the cumulative amount of Federal funds to be drawn is less than \$5,000. In this case, a fund request must be made once the accumulated expenditures for a particular program (total CFDA program) are equal to or exceed \$5,000. However, no Daily Grant Drawdown Report will be held for more than 30 calendar days.

Indirect Cost Recovery

- 8. Where allowed under Federal Statute and grant regulations, agencies must negotiate an indirect cost recovery plan. This plan must include both statewide and departmental indirect cost reallocation. Allowable indirect costs must be recovered through the drawdown process on a timely basis, in accordance with the terms of each department's indirect cost rate plan, cost allocation plan, or applicable federal regulations.

Grant Activity Schedule

- 9. Agencies must utilize the STARS "Schedule of Grant Activity" Report as the basis for preparing the Schedules of Expenditures of Federal Awards. Any reconciling items are to be clearly documented.

Federal Financial Reporting

- 10. Status reports to the Federal government must be prepared utilizing STARS, including the grants module, as the basis with any reconciling items documented.

Exceptions

- 11. All requests for exceptions to this policy must be submitted in writing annually by the primary departmental fiscal officer to the Chief of Accounts, Department of Finance and Administration, for approval. The letter of approval or denial from the Chief of Accounts shall be maintained on file at the requesting entity.

Approval of the Commissioner of Finance and Administration

I, John D. Ferguson, hereby approve this Policy Statement 20 of the Department of Finance and Administration, and authorize the actions necessary to implement its requirements.

Signed: _____

Date: _____

John D. Ferguson, Commissioner
Department of Finance and Administration

Approval of the Comptroller of the Treasury

I, John Morgan, hereby approve of this Policy Statement 20 of the Department of Finance and Administration, and authorize actions necessary to implement its requirements.

Signed: _____

Date: _____

John Morgan, Comptroller
Office of the Comptroller of the Treasury